

## Message Text

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PAGE 01 LUSAKA 03173 261751Z

41 R  
ACTION AF-04

INFO OCT-01 ISO-00 ONY-00 /005 W  
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R 261418Z NOV 76  
FM AMEMBASSY LUSAKA  
TO SECSTATE WASHDC 4533

CONFIDENTIAL LUSAKA 3173

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E.O. 11652: GDS  
TAGS: EAID ZA US  
SUBJ: ADDITIONAL SECURITY SUPPORTING ASSISTANCE FOR ZAMBIA

REF: (A) STATE 287130, (B) LUSAKA 2963

1. WE AGREE THAT ANY SUPPLEMENTAL SSA FOR ZAMBIA  
COULD BE BEST USED AND DISPERSED AS A FURTHER PROGRAM  
LOAN AND THAT THE RATIONALE MENTIONED IN PARA 3  
REFTEL A IS NOT ONLY MOST CONVINCING BUT ENTIRELY  
ACCURATE. FURTHER, BELIEVE THAT GRZ NEED FOR SUCH  
ASSISTANCE IS ACUTE AND THAT IT WOULD BE DEEPLY  
APPRECIATED.

2. HOWEVER, WE HAVE SERIOUS RESERVATIONS WHETHER A  
FURTHER \$20 MILLION PROGRAM LOAN COULD BE DISPERSED  
IF PRESENT AND POTENTIAL RESTRICTIONS UPON IT ARE  
IMPOSED. THE BULK OF ZAMBIAN IMPORTS FROM THE US  
ARE CAPITAL GOODS OR SPARES FOR CAPITAL GOODS (MINING  
MACHINERY, TRANSPORTATION EQUIPMENT, ETC.) USED BY THE  
GOVT AND PARASTATALS WHICH ARE MAJORITY  
GOVT-OWNED. UNDER THE PRESENT RULES, CAPITAL GOODS  
WHICH ARE ELIGIBLE FOR EXIM TYPE LOANS MAY NOT BE  
INCLUDED AMONG PRODUCTS TO BE IMPORTED UNDER  
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PROGRAM LOAN. WE BELIEVE WE HAVE BEEN ABLE TO

IDENTIFY NON-CAPITAL GOODS PRODUCTS WHICH COULD BE IMPORTED FROM THE US WHICH, WITH THEIR FREIGHT, WILL TOTAL ABOUT \$20 MILLION. SINCE THEN WE HAVE HEARD STORIES THAT EXIM IS NO LONGER ENCOURAGING FINANCING OF CAPITAL GOODS TO ZAMBIA AND HAVE QUERIED THE DEPT ON THAT SUBJECT (REFTEL B). IT WILL BECOME EXTREMELY DIFFICLT IF NOT IMPOSSIBLE TO FIND NON-CAPITAL GOODS PRODUCTS FROM THE US TO BE FINANCED UNDER A FRUTHER \$20 MILLION LOAN. WE BELIEVE THAT IF THIS IS RESTRICTED IN PART OR WHOLE TO THE PRIVATE SECTOR, IT WOULD BE VIRTUALLY IMPOSSIBLE.

3. THEREFORE, BEFORE ANY CONSIDERATION OF SUPPLEMENTAL PROGRAM LOAN, BELIEVE THESE TWO POINTS MUST BE CLARIFIED. WE ARE CONCERNED THAT UNLESS WE ARE PERMITTED TO INCLUDE CAPITAL GOODS IMPORTED BY THE PUBLIC SECTOR, WE WILL BE UNABLE TO DISPERSE A FURTHER \$20 MILLION. TO ALLOCATE THE MONEY AND HAVE IT UNUSED WOULD DO MORE HARM TO US-ZAMBIAN RELATIONS AND TO THE POSSIBILITY OF A CONSTRUCTIVE ONGOING AID RELATIONSHIP THAN TO PASS UP A SUPPLEMENTAL ALTOGETHER LOW

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## Message Attributes

**Automatic Decaptoning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONAL SECURITY, MILITARY ASSISTANCE, LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 NOV 1976  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976LUSAKA03173  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** HR ALSO LD  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760442-0360  
**From:** LUSAKA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19761112/aaaaakiy.tel  
**Line Count:** 82  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION AF  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** ONLY, STADIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** ONLY, STADIS  
**Reference:** 76 STATE 287130, 76 LUSAKA 2963  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 JUL 2004 by MartinML>; APPROVED <08 JUL 2004 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ADDITIONAL SECURITY SUPPORTING ASSISTANCE FOR ZAMBIA  
**TAGS:** EAID, ZA, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006